

JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For The Year Ended June 30, 2008

JEROME TOWNSHIP
BOARD OF TRUSTEES

Stuart D. Bloomfield	Supervisor
Laura A. Grubaugh	Treasurer
Connie Methner	Clerk
Dale Thornton	Trustee
Anna Merillat	Trustee

POPULATION-2000
3,945

STATE EQUALIZED VALUATION-2007
\$148,464,800

STATE TAXABLE VALUE-2007
\$133,863,596

JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2008
Table of Contents

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT	1
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BASIC FINANCIAL STATEMENTS:

Government-Wide Statement of Net Assets (Exhibit 1)	2
Government-Wide Statement of Activities (Exhibit 2)	3
Governmental Fund Balance Sheet (Exhibit 3)	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 3.1)	5
Statement of Revenue, Expenditures, and Changes in Fund Balances (Exhibit 4)	6
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1)	7
Statement of Fiduciary Assets and Liabilities Fiduciary Funds (Exhibit 5)	8
Notes to Financial Statements	9-17

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule-General Fund (Exhibit 6)	18
Budgetary Comparison Schedule-Solid Waste Fund (Exhibit 7)	19

OTHER SUPPLEMENTARY INFORMATION:

Governmental Fund Balance Sheet Nonmajor Governmental Funds (Exhibit 8)	20
Statement of Revenue, Expenditures, and Changes in Fund Balances of Nonmajor Governmental Funds (Exhibit 9)	21

Independent Auditors' Report

Members of the Township
Board of Trustees
Jerome Township
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2008 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform to accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jerome Township, as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 18 and 19, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of Jerome Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
November 3, 2008

JEROME TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 1,009,645
Due from other funds	151
Due from other governmental units	42,642
Capital assets:	
Land	109,199
Buildings and improvements, net	226,522
Township equipment, net	2,192
Fire department equipment, net	28,125
Fire department vehicles, net	710,781
Total capital assets	<u>1,076,819</u>
Total assets	<u>2,129,257</u>

LIABILITIES

Accounts payable	41,294
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	60,000
Portion due or payable after one year:	
Bonds and contracts payable	735,000
Total liabilities	<u>836,294</u>

NET ASSETS

Invested in capital assets, net of related debt	1,076,819
Unrestricted	216,144
Total net assets	<u>\$ 1,292,963</u>

The accompanying notes are an integral part of these financial statements.

Exhibit 2

**JEROME TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 108,227	\$ -	\$ -	\$ -	\$ (108,227)
Supervisor	22,714	-	-	-	(22,714)
Treasurer	34,688	-	-	-	(34,688)
Assessing	31,858	-	-	-	(31,858)
Clerk	26,648	-	-	-	(26,648)
Elections	5,687	-	-	-	(5,687)
Board of review	1,571	-	-	-	(1,571)
Buildings and grounds	6,229	1,200	-	-	(5,029)
All other general government		30,946	-	-	30,946
Public safety	75,297		-	-	(75,297)
Building inspection and regulation activities	25,434	13,921	-	-	(11,513)
Cemetery	13,606		-	-	(13,606)
Roads and drains	92,067		-	-	(92,067)
Street lights	13,940		-	-	(13,940)
Sanitation, solid waste	319,722	344,410	-	-	24,688
Planning and zoning	5,340	-	-	-	(5,340)
Parks and recreation	7,250		-	-	(7,250)
Interest and fiscal charges	100,864	-	-	-	(100,864)
Total governmental activities	\$ 891,142	\$ 390,477	\$ -	\$ -	(500,665)
General revenues:					
Property taxes, levied for general purposes					355,978
State revenue sharing					270,052
Interest earnings					26,419
Miscellaneous					40,506
Total general revenues					692,955
Change in net assets					192,290
Net assets-beginning					1,100,673
Net assets-ending					\$ 1,292,963

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2008

	General Fund	Solid Waste Fund	Non-Major Funds	Total
ASSETS				
Cash and cash equivalents	\$ 290,547	\$ 373,478	\$ 345,620	\$ 1,009,645
Accounts receivable, net	-	-	-	-
Due from other township funds	151	-	-	151
Due from other governmental units	42,642	-	-	42,642
Total assets	\$ 333,340	\$ 373,478	\$ 345,620	\$ 1,052,438
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,761	\$ 35,522	\$ 2,011	\$ 41,294
Total liabilities	3,761	35,522	2,011	41,294
Fund balances:				
Unreserved	329,579	337,956	343,609	1,011,144
Total fund balances	329,579	337,956	343,609	1,011,144
Total liabilities and fund balances	\$ 333,340	\$ 373,478	\$ 345,620	\$ 1,052,438

The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances for governmental funds (Exhibit 3)	\$	1,011,144
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	109,199	
Buildings and improvements, net of \$249,462 accumulated depreciation		226,522	
Township equipment, net of \$18,265 accumulated depreciation		2,193	
Fire department equipment, net of \$280,027 accumulated depreciation		28,124	
Fire department vehicles, net of \$391,068 accumulated depreciation		<u>710,779</u>	
Total capital assets		.	1,076,817

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at June 30, 2008 are:

Midland County Water Supply System Bonds, Series 1998	\$	<u>(795,000)</u>	<u>(795,000)</u>
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Total net assets of governmental activities (Exhibit 1)	\$	<u><u>1,292,961</u></u>
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JEROME TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES

For the Year Ended June 30, 2008

	General Fund	Solid Waste Fund	Non-Major Funds	Total
REVENUES				
Property taxes	\$ 153,739	\$ -	\$ 202,239	\$ 355,978
Licenses and permits	13,334	-	587	13,921
State aid	270,052	-	-	270,052
Charges for services	30,946	-	-	30,946
Interest and dividends	12,005	8,653	5,761	26,419
Rents and royalties	1,200	-	-	1,200
Special assessments	-	344,410	-	344,410
Miscellaneous	31,023	1,298	8,185	40,506
Total revenues	512,299	354,361	216,772	1,083,432
EXPENDITURES				
General government	237,622	-	-	237,622
Public safety	25,434	-	75,297	100,731
Public works	111,374	319,722	8,239	439,335
Community development	5,340	-	-	5,340
Recreation and culture	7,250	-	-	7,250
Capital outlay	16,124	-	134,685	150,809
Debt service	-	-	99,405	99,405
Total expenditures	403,144	319,722	317,626	1,040,492
Excess (deficiency) of revenues over expenditures	109,155	34,639	(100,854)	42,940
OTHER FINANCING SOURCES (USES)				
Transfers-in	-	-	110,000	110,000
Transfers-out	(110,000)	-	-	(110,000)
Total other financing sources and uses	(110,000)	-	110,000	-
Net change in fund balances	(845)	34,639	9,146	42,940
Fund balances-beginning	330,424	303,317	334,463	968,204
Fund balances-ending	\$ 329,579	\$ 337,956	\$ 343,609	\$ 1,011,144

The accompanying notes are an integral part of these financial statements.

**JEROME TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
June 30, 2008**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	42,940
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Capital outlays (\$150,809) exceeded depreciation (\$61,457) in the current period.		89,352
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Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Midland County Water Supply System Bonds, Series 1998	\$ 60,000		
		60,000	

Change in net assets of governmental activities (Exhibit 2)	\$	192,292
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The accompanying notes are an integral part of these financial statements.

JEROME TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
June 30, 2008

ASSETS

Cash and cash equivalents	\$ 151
Total assets	<u>151</u>

LIABILITIES

Due to other funds	<u>151</u>
Total liabilities	<u>151</u>

NET ASSETS	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Although the Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2007 taxable valuation of the Township totaled \$133,833,596, on which ad valorem taxes levied consisted of 1.10 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The government reports the following major funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Fund accounts for providing garbage and rubbish collection financed by an annual special assessment.

Additionally, the government reports the following fund type:

The Current Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items—Certain payments to vendors reflect cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	10 to 40 years
Building improvements	10 to 30 years
Hall equipment	5 to 30 years
Office equipment	5 to 30 years
Computer equipment	5 years

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 1,009,645	\$ 151	\$ 1,009,796

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings, certificate of deposit)	\$ 1,009,796
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The bank balance of the government deposits is \$1,009,796, of which \$200,000 is covered by federal deposit insurance.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$809,796 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Jerome Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the

JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

maturities of some of the allowable investments. The Township has no investment at this time, therefore they have no interest rate risk.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 109,199	\$ -	\$ -	\$ 109,199
Capital Assets Being Depreciated				
Buildings and improvements	345,430	130,554	-	475,984
Township equipment	18,257	2,200	2,128	18,329
Fire department equipment	290,098	18,054	-	308,152
Fire department vehicles	1,101,851	-	-	1,101,851
Subtotal	1,755,636	150,808	2,128	1,904,316
Less Accumulated Depreciation for				
Buildings and improvements	241,178	8,284	-	249,462
Township equipment	17,134	631	-	17,765
Fire department equipment	265,380	15,148	-	280,528
Fire department vehicles	353,674	37,394	-	391,068
Subtotal	877,366	61,457	-	938,823
Net Capital Assets Being Depreciated	878,270	89,351	(2,128)	965,493
Governmental Activities Capital Assets—Net of Depreciation	\$ 987,469	\$ 89,351	\$ -	\$ 1,076,820

Depreciation expense was charged to programs of the Township as follows:

General government:	
Treasurer	\$ 465
Clerk	166
Fire department equipment	15,148
Fire departments vehicles	37,394
Buildings and improvements	8,284
	<u>\$ 61,457</u>

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The amount of interfund receivables and payables are shown as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 151	Tax	\$ 151
Total	<u>\$ 151</u>	Total	<u>\$ 151</u>

The amounts of interfund transfers are shown as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>Transfers In</u>
General	\$ 10,000	Hall Replacement	\$ 10,000
General	100,000	Water	100,000
Total	<u>\$ 110,000</u>	Total	<u>\$ 110,000</u>

NOTE 6. LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that directly benefitted from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 6. LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Midland County Water Supply System No. 1 bonds issued at January 13, 1998 in the principal amount of \$1,250,000 (less \$25,000 discount). The bond will be paid off in the year ending June 30, 2018.	<u>\$ 855,000</u>	<u>-</u>	<u>\$ 60,000</u>	<u>\$ 795,000</u>

Scheduled principal maturities of long-term debt for years subsequent to June 30, 2008 are as follows:

<u>Year Ended June 30,</u>	
2009	\$ 60,000
2010	65,000
2011	70,000
2012	75,000
2013	80,000
2014-2018	<u>445,000</u>
	<u>\$ 795,000</u>

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**JEROME TOWNSHIP
MIDLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 8. PENSION PLAN

The Township provides pension benefits to members of the Township Board of Trustees, constables, building inspector, fire chief and custodian through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 6.2% of employee gross earnings and the employee contributes 6.2% of earnings. In accordance with these requirements, the Township contributed \$7,862 during the current year and employees contributed \$7,862.

NOTE 9. MIDLAND COUNTY WATER DISTRICT / WATER DISTRICT #1

The Township of Jerome is a participating municipality with, and purchases water from, Midland County Water District No. 1. The District was acquired and financed pursuant to a contract between the County of Midland, the Township of Lincoln, the Village of Sanford and the Township of Jerome. Midland County holds legal title to the water lines but only in trust for the benefit of the participating municipalities. Applicable water payments to Midland County Water District No. 1 belong to the Township of Jerome and may only be used for the payment of capital costs, maintenance and operations of the Water District.

Midland County Water District No. 1 is responsible for the general operation, maintenance and repair of the District. The participating municipalities receive refunds of any excess funds from the District; however, the participating municipalities are also proportionately liable for any shortage of funds needed for the general operation, maintenance and repair of the system.

JEROME TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 144,021	\$ 144,021	\$ 153,739	\$ 9,718
Licenses and permits	12,000	12,000	13,334	1,334
State aid	265,000	265,000	270,052	5,052
Charges for services	19,100	19,100	30,946	11,846
Interest and dividends	9,000	9,000	12,005	3,005
Rents and royalties	1,250	1,250	1,200	(50)
Miscellaneous	23,029	23,029	31,023	7,994
Total revenues	473,400	473,400	512,299	38,899
EXPENDITURES				
General Government:				
Township board	192,434	192,434	108,227	84,207
Supervisor	23,944	23,944	22,714	1,230
Treasurer	40,726	40,726	34,688	6,038
Assessing	32,255	32,255	31,858	397
Clerk	32,271	32,271	26,648	5,623
Elections	19,500	19,500	5,687	13,813
Board of review	2,000	2,000	1,571	429
Buildings and grounds	7,240	7,240	6,229	1,011
Public Safety:				
Building inspection and regulatory activities	29,770	29,770	25,434	4,336
Public Works:				
Cemetery	25,436	25,436	13,606	11,830
Roads and drains	142,000	142,000	83,828	58,172
Street lights	16,000	16,000	13,940	2,060
Community Development:				
Planning and zoning	8,500	8,500	5,340	3,160
Recreation and Culture:				
Parks and recreation	11,000	11,000	7,250	3,750
Capital Outlay				
General government	113,201	113,201	16,124	97,077
Total expenditures	696,277	696,277	403,144	293,133
Excess of revenues over expenditures	(222,877)	(222,877)	109,155	332,032
OTHER FINANCING SOURCES (USES)				
Transfers-out	(125,000)	(125,000)	(110,000)	15,000
Total other financing sources and uses	(125,000)	(125,000)	(110,000)	15,000
Net change in fund balances	(347,877)	(347,877)	(845)	347,032
Fund balances-beginning	330,424	330,424	330,424	-
Fund balances-ending	\$ (17,453)	\$ (17,453)	\$ 329,579	\$ 347,032

Exhibit 7

**JEROME TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE FUND
For the Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Special assessments	\$ 300,000	\$ 300,000	\$ 344,410	\$ 44,410
Interest and dividends	2,000	2,000	8,653	6,653
Miscellaneous	1,835	1,835	1,298	(537)
Total revenues	303,835	303,835	354,361	50,526
EXPENDITURES				
Public Works:				
Sanitation	585,693	585,693	319,722	265,971
Total expenditures	585,693	585,693	319,722	265,971
Excess of revenues over expenditures	(281,858)	(281,858)	34,639	316,497
Net change in fund balances	(281,858)	(281,858)	34,639	316,497
Fund balances-beginning	303,317	303,317	303,317	-
Fund balances-ending	\$ 21,459	\$ 21,459	\$ 337,956	\$ 316,497

JEROME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Fire Fund	Fire Apparatus Fund	Liquor Fund	Hall Replacement Fund	Water Fund	Priv. Road Maintenance Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 92,069	\$ 139,948	\$ 539	\$ 106,699	\$ 4,760	\$ 1,605	\$ 345,620
Total assets	\$ 92,069	\$ 139,948	\$ 539	\$ 106,699	\$ 4,760	\$ 1,605	\$ 345,620
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,011
Total liabilities	2,011	-	-	-	-	-	2,011
Fund balances:							
Unreserved	90,058	139,948	539	106,699	4,760	1,605	343,609
Total fund balances	90,058	139,948	539	106,699	4,760	1,605	343,609
Total liabilities and fund balances	\$ 92,069	\$ 139,948	\$ 539	\$ 106,699	\$ 4,760	\$ 1,605	\$ 345,620

Exhibit 9

JEROME TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Fire Fund	Fire Apparatus Fund	Liquor Fund	Hall Replacement Fund	Water Fund	Priv. Road Maintenance Fund	Total Nonmajor Governmental Funds
REVENUES							
Property taxes	\$ 100,290	\$ 100,284	\$ -	\$ -	\$ -	\$ 1,665	\$ 202,239
Licenses and permits	-	-	587	-	-	-	587
Interest and dividends	407	1,382	33	3,627	256	56	5,761
Miscellaneous	4,685	3,500	-	-	-	-	8,185
Total revenues	105,382	105,166	620	3,627	256	1,721	216,772
EXPENDITURES							
Public safety	75,244	-	53	-	-	-	75,297
Public works	-	-	984	-	5,183	2,072	8,239
Capital outlay	23,230	-	-	111,455	-	-	134,685
Debt service	-	-	-	-	99,405	-	99,405
Total expenditures	98,474	-	1,037	111,455	104,588	2,072	317,626
Excess (deficiency) of revenues over expenditures	6,908	105,166	(417)	(107,828)	(104,332)	(351)	(100,854)
OTHER FINANCING SOURCES (USES)							
Transfers-in	-	-	-	10,000	100,000	-	110,000
Transfers-out	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	10,000	100,000	-	110,000
Net change in fund balances	6,908	105,166	(417)	(97,828)	(4,332)	(351)	9,146
Fund balances-beginning	83,150	34,782	956	204,527	9,092	1,956	334,463
Fund balances-ending	\$ 90,058	\$ 139,948	\$ 539	\$ 106,699	\$ 4,760	\$ 1,605	\$ 343,609

November 3, 2008

Members of the Township
Board of Trustees
Jerome Township
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Jerome Township (the "Township") for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

SIGNIFICANT DEFICIENCIES

Financial Accounting and Reporting

Management relies on the Township's auditors to ensure the financial statements conform to generally accepted accounting principles ("GAAP"). Therefore, as a part of our engagement to audit the financial statements, we draft the financial statements and the related footnotes for

Financial Accounting and Reporting (Continued)

approval by management and the finance committee of the board of directors. This is a conscious and practical approach to preparing the financial statements since the Township has determined that the costs to established internal controls over financial reporting and to develop the skills and knowledge of its personnel to apply generally accepted accounting principles in preparing the financial statements is greater than the risk of misstatements occurring in the financial statements. However, as a result of recently issued professional auditing standards, this situation meets the definition of a significant deficiency and a material weakness in internal control.

The interim financial statements and management reports are generally prepared on a comprehensive basis of accounting other than generally accepted accounting principles, i.e. the modified accrual basis. It appears that the interim financial reports received by management are appropriate in form and content thereby allowing management to make appropriate decisions regarding financial matters. Therefore, the control weakness over preparation of financial statements in conformity with GAAP is not a significant requirement of management.

We considered this internal control deficiency in planning the scope of our audit procedures and believe that we have appropriately addressed the risk of any misstatements in the audited financial statements. Therefore, due to the relative cost to eliminate the internal control deficiency over financial reporting in conformity with GAAP related to the risks involved and considering the audit procedures performed to address the risk of misstatements in the audited financial statements, we do not recommend any actions to address this weakness at this time. However, we do recommend that management routinely review the internal controls in place to prepare the interim financial reports to ensure accurate information is provided in those reports.

MANAGEMENT COMMENTS

Financial Oversight (Repeat Comment)

The general limitations in any smaller organization like the Jerome Township require that the Township Board of Trustees continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the interim financial statements, and the independent review of critical functions. Based on inquiries, the Township Board of Trustees perform these duties and our comment here is intended to emphasize the importance of its oversight.

This report is intended for the information of the members of the Jerome Township Board, management and the State of Michigan.

This communication is intended solely for the information and use of management, Jerome Township Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Burnside & Lang, P.C.

BURNSIDE & LANG, P.C.